

**Washington State Tax Structure Study
Committee Meeting Minutes
December 14, 2001**

Committee members present: John Beck
 Neil Bruce
 Jack Cairnes
 Dick Conway
 Bill Gates, Sr.
 Lily Kahng
 Jim McIntire
 Debbe Sanders
 Hugh Spitzer
 Gary Strannigan

Committee member absent: Dow Constantine

Introduction

Bill Gates, Sr. welcomed the Committee members. The minutes of the November 9, 2001, meeting were approved as submitted by the staff.

Will Rice reviewed the meeting handouts and noted that the Committee received copies of the Governor's Competitiveness Council Report and a book titled Tax Shift. The book was co-authored by Alan Durning who is a member of the Advisory Group.

Will Rice also reviewed the "To Do" list from the November meeting and noted that the Department of Revenue sent the following materials via E-mail to the Committee:

- "Summary of Exemptions from the 2000 and 2001 Legislative Sessions"
- "Repeal of the Estate Tax and Impacts on Washington State Revenues,"
- "The National Conference of State Legislatures report titled "The Appropriate Role of User Charges in State and Local Finance"
- "Analysis of I-747"

Chairman's Questions and Answers

Bill Gates, Sr. posed nine questions to the Committee staff after reviewing the Advisory Group's input. Sue Meldazy will send the answers to the Committee members in an E-mail message, and the questions and answers will be posted on the Department of Revenue web site.

Taxpayer Perceptions

Lily Kahng, Neil Bruce and Debbe Sanders gave a PowerPoint presentation on taxpayer perceptions. This presentation will be posted on the Department of Revenue web site.

Technical Subcommittee

Will Rice introduced the Technical Subcommittee and stated that the Department of Revenue needs clear direction from the Committee about which tax principles they should focus on. The presenters from the Technical Subcommittee--Neil Bruce, Kriss Sjoblom and Lorrie Brown--gave the Committee members a handout of questions relating to tax principles. Lorrie explained that, for each of the ten tax principles shown on the handout, the Subcommittee has listed questions about what the principles mean and what they might look at when they are studying our current tax system. Committee members were asked to decide whether the questions were relevant as written, needed any changes, or whether any other questions should be added. There wasn't enough time to discuss all ten tax principles, so the discussion will be completed at the January meeting. The Committee was asked to read through the remaining principles and send comments on them to Lorrie via E-mail.

Guidance on Complex Tax Models

Will Rice referred to a handout on "Changes to Washington's State/Local Tax Structure That Will Require Lead-time for the Department of Revenue to Adequately Analyze." He explained that some of the tax structure changes require considerable lead time to analyze, and the Department was seeking guidance from the Committee on which changes they may want to consider. The Committee decided not to work on a personal consumption tax model and directed the Department not to spend much time or effort on the business franchise and corporate profits tax models.

Question to the Advisory Group on Equity

Committee members were given a "Tax Equity Questionnaire" to review. Will Rice said that the questionnaire could be used to get more specific feedback on equity from the Advisory Group. Some members expressed concern about the wording of the questions. Bill Gates, Sr. said that he would still like to get the Advisory Group's input on tax equity but at a later date.

The next meeting of the Washington State Tax Structure Study Committee will be held on Friday, January 11, 2002, from 11 a.m. to 2 p.m. at the SeaTac DoubleTree Hotel. This Committee meeting and all future meetings which are held at the DoubleTree Hotel will be in the Evergreen 2 Room.